

Strategic management:
planning and execution for
competitive advantage

Lecture 3

What Is Strategic Management?

- To understand strategic management, one must first understand the concept of organizational strategy.
- Strategies are the approaches adopted by organizations to ensure successful performance in the marketplace. These approaches are typically set forth in a comprehensive document called the *strategic plan*.

Competitive Strategy

- To survive and thrive in a globally competitive marketplace, organizations must adopt a broad strategy that gives them a sustainable competitive advantage.
 - Cost leadership strategies
 - Differentiation strategies
 - Market-niche strategies

Components of strategic management

- **Strategic Planning** Strategic planning involves developing a written plan that has the following components: an organizational vision; an organizational mission; guiding principles; broad strategic objectives; and specific tactics, projects, and activities for Achieving the broad objectives. Specific tactics, projects, and Activities are often referred to as the “**action plan**.”
- **Strategic Execution** involves implementing strategies set forth in strategic planning, monitoring progress toward their achievement, and adjusting the plans and strategies as necessary. Strategic execution is implementation that achieves maximum efficiency and effectiveness.

Strategic planning process

1. SWOT analysis (environmental assessment)
2. Develop the vision
3. Develop the mission
4. Develop the guiding principles
5. Develop the broad strategic objective
6. Develop the specific tactics (Action plan)

Conducting the SWOT analysis

- The rationale for conducting a SWOT analysis before proceeding with the development of the strategic plan is that the organization's plan should produce a good fit between its internal situation and its external situation.
- An organization's internal situation is defined by its strengths and weaknesses. An organization's external situation is defined by the Opportunities and threats that exist in its business environment.

Identifying Organizational Strengths

- Financial strength
- Good reputation in the marketplace
- Strategic focus
- High-quality products and services
- Proprietary products and services
- Cost leadership
- Strong management team
- Efficient technological processes

Identifying Organizational Weaknesses

- Strategic confusion or lack of direction
- Obsolete facilities
- Obsolete processes
- Weak management team
- Insufficient skills or capabilities in the workforce
- Too narrow a product line
- Too diverse a product line
- Poor image in the marketplace
- Weak distribution system
- Weak financial position

Identifying External Opportunities

- Availability of new customers
- Expanding market for existing or potential or planned products
- Ability to diversify into related products and services
- Removal of barriers that inhibit growth
- Failures of competitors
- New online technologies that enhance productivity or quality

Identifying External Threats

- Entry of lower-cost competitors
- Entry of higher-quality competitors
- Increased sales of substitute products and services
- Significant slowdown in market growth
- Introduction of costly new regulatory requirements
- Poor supplier relations
- Changing tastes and habits of consumers
- Potentially damaging demographic changes

Developing the vision

- An organization's guiding force, the dream of what it wants to become, and its reason for being should be apparent in its vision. A well-written vision statement, regardless of the type of organization, has the following characteristics
 - Is easily understood by all stakeholders
 - Is briefly stated, yet clear and comprehensive in meaning
 - Is challenging, yet attainable
 - Is lofty, yet tangible
 - Is capable of stirring excitement for all stakeholders
 - Is capable of creating unity of purpose among all stakeholders
 - Is not concerned with numbers
 - Sets the tone for employees

What is your Dream??!



Developing the mission

- We have just seen that the vision statement describes what an organization would like to be. It's a dream, but it's not "pie in the sky."
- The vision represents a dream that can come true. The mission takes the next step and describes *who the organization is, what it does, and where it is going.*

- The Institute for Corporate Competitiveness (ICC) is a business-development company dedicated to helping organizations continually improve their ability to compete in the global marketplace. To this end, ICC provides high-quality, competitiveness-enhancing products and services to an ever-increasing number of organizations in the United States.
- Business Express Airlines (BEA) is a domestic air carrier dedicated to providing business travelers with air transportation that exceeds their expectations in terms of cost, convenience, service, and dependability. To this end, BEA provides air carrier service to and from a steadily increasing number of major hub airports in the United States.
- Pendleton Manufacturing Company is a hazardous materials storage company dedicated to making your work environment safe and healthy. To this end, Pendleton produces high-quality fireproof cabinets for safely storing toxic substances and hazardous materials for an ever-broadening market in the United States.

Developing the guiding principles

- An organization's guiding principles establish the framework within which it will pursue its mission. Each guiding Principle encompasses an important organizational value.
- Together, all of the guiding principles represent the organization's value system—the foundation of its **corporate culture**.

Developing the guiding principles

- An organization's guiding principles establish the parameters within which it is free to pursue its mission. These principles might be written as follows:
 - XYZ Company will uphold the highest ethical standards in all of its operations.
 - At XYZ Company, customer satisfaction is the highest priority.
 - XYZ Company will make every effort to deliver the highest quality products and services in the business.
 - At XYZ Company, all stakeholders (customers, suppliers, and employees) will be treated as partners.
 - At XYZ Company, employee input will be actively sought, carefully considered, and strategically used.
 - At XYZ Company, continual improvement of products, processes, and people will be the norm.

Developing broad strategic objectives

- Broad strategic objectives translate an organization's vision and mission into measurable terms. They represent actual targets the organization aims at and will expend energy and resources trying to achieve.
- Broad objectives are more specific than the mission, but they are still broad. They still fall into the realm of *what rather than how*. *What must the organization do to achieve the vision?*

Developing specific tactics (action plan)

- The action plan consists of specific tactics that are well defined, finite projects and activities undertaken for the purpose of accomplishing an organization's broad strategic objectives. They provide the "how" for achieving broad strategic objectives and
 - Are specific in nature
 - Are measurable
 - Can be quantifiable
 - Can be accomplished within a specified time frame
 - Can be assigned to a specific individual or group
 - Are tied directly to a broad objective